

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	1.4	3.2	4.2	7.8	18.4	9.1	7.6
S&P/ASX 300 Accumulation Index	2.0	2.9	2.4	5.3	14.7	6.5	5.8
<b>Value Added (Detracted)</b>	<b>-0.6</b>	<b>0.3</b>	<b>1.8</b>	<b>2.5</b>	<b>3.7</b>	<b>2.6</b>	<b>1.8</b>
Capital Growth	-0.1	1.5	0.6	2.2	12.3	3.4	1.4
Income Distribution	1.5	1.5	3.2	4.7	5.1	4.9	5.4
Net Performance <sup>^^</sup>	1.4	3.0	3.8	6.9	17.4	8.3	6.8

\*Gross Performance. <sup>^</sup>Since inception: December 2005. <sup>^^</sup>This refers to the Trust's gross performance net of investment management fees. Past performance is not a reliable indicator of future performance.

## Perennial Value Shares for Income Trust

The Trust aims to provide investors with an attractive level of tax effective income, which the Trust aims to pay via quarterly distributions. The Trust aims to provide a dividend yield, adjusted for applicable franking credits and before fees, above that provided by the S&P/ASX 300 Accumulation Index\*.

### Portfolio manager:

Stephen Bruce

### Risk profile:

High

### Trust FUM (as at 31 December 2014):

AUD71.7 million

### Income distribution frequency:

Quarterly

### Team FUM (as at 31 December 2014):

AUD7.4 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

December 2005

### APIR code:

IOF0078AU

\*Gross dividend yield.

- ▶ **The Australian equities market recovered from early losses to rally strongly into month end.**
- ▶ **Defensive sectors outperformed during the month**
- ▶ **The best performing stock in the portfolio was Amcor (up 11.7%)**

### Trust Characteristics

In line with the objective, the Trust continues to invest in a portfolio of financially sound companies which demonstrates superior dividend yield characteristics to the overall stock market.

### Portfolio Activity

During the month, we took profits and reduced our holdings in a number of stocks which have performed strongly in recent times. We continued to reduce our position in Amalgamated Holdings, which has delivered a total return of 36.0% over the past 12 months, taking advantage of this strength to lock in some further profits at \$10.90 per share. We also reduced our holdings in Amcor and Westfield Corporation, both of which have performed strongly over the past 12 months and, as a result of this share price outperformance, are now offering less compelling valuation and gross yield characteristics.

We also took profits in Telstra following its 19.3% total return over the past 12 months. However, it still remains our largest individual stock holding, offering an FY15 gross yield of 7.6%, underpinned by solid earnings and cash flow and a strong balance sheet. During the month, the company announced that the revised NBN deal had been signed. This was positive in that it delivered the same value to Telstra shareholders as the original deal and increases the level of certainty of cash flows. In addition, Telstra will have a significant involvement in the roll-out of the NBN.

Proceeds were used to increase our holding in Stockland, which is offering an FY15 gross yield of 5.9% and has exposure to the residential property market. The strength of this market was reaffirmed at the company's recent AGM, with the company reporting the strongest level of deposits in four years.

At month end, stock numbers were 26 and cash was 3.3%.

### Stock and Portfolio Performance

The Australian equities market recovered from early losses to rally strongly into month end, with the benchmark S&P/ASX300 Accumulation Index finishing up 2.0%. The Perennial Value Shares for Income Trust (the Trust) delivered a return of 1.4%, underperforming the index by 0.6%. For calendar year 2014, the Trust delivered a total return of 7.8%, outperforming the index by 2.5%.

December brought further slides in commodity prices, including the price of oil, which has had a significant impact on the prices of energy stocks. For example, Santos, a Top-50 stock (which the portfolio does not hold) has fallen 46% from its peak. Global markets were softer, with the S&P500 (down 0.4%), FTSE (down 2.3%), Euro Stoxx 50 (down 3.2%) and Nikkei 225 (down 0.1%) all weaker. However, there was further evidence that global growth is improving. In particular, the data for the US was positive, with the revised Q3 GDP data showing the firmest rate of growth since 2003 and non-farm payrolls growing 321,000, well above expectations. In other regions, key German

data improved, there were positive signs that Japan's economy is emerging from recession in the current quarter and China's data was consistent with growth at close to 7% in Q4, although a key manufacturing PMI dropped below 50. Global inflation continued to fall, suggesting a prolonged period of low interest rates.

In Australia, GDP growth was unexpectedly weak in the September quarter, with real disposable income falling again, however, the partial data for the fourth quarter pointed to improvement. Retail sales for October were soft, albeit better than expected and home building approvals boomed, as did employment for November. The jobless rate, however, rose to a new 12-year high of 6.3%, and business and consumer sentiment fell, with the mid-year economic update revealing further deterioration in the budget deficit, largely due to lower commodity prices. The RBA left interest rates unchanged at 2.5% and the AUD continued to fall, reaching a four-year low of 81 US cents.

Defensive sectors outperformed during the month, with Healthcare (up 5.6%), Telcos and REITs (both up 5.4%). Industrials (up 5.8%) also outperformed. The worst performing sectors were Metals and Mining (down 3.0%), followed by Consumer Discretionary (down 2.2%) and Energy (down 1.7%).

The best performing stock in the portfolio was Amcor (up 11.7%) which outperformed as a beneficiary of the lower AUD, deriving almost all of its earnings offshore. Downer (up 9.8%)

rallied after announcing that it had been awarded a significant mining services contract with Adani Mining and Boral (up 8.4%) rose after announcing the sale of its landfill business to TPI. Westfield Corp (up 8.8%) benefited from its exposure to the strengthening US and UK economies and the lower AUD. Woodside Petroleum (up 6.3%) recovered the bulk of its previous month's losses after announcing the acquisition of several assets from Apache and Telstra (up 4.9%) rose after signing the revised NBN deal. Orica (up 7.2%) and Lend Lease (up 7.0%) also performed well.

Stocks which detracted from performance again predominantly included our resource-related holdings, with Iluka Resources (down 13.1%), BHP (down 5.0%), Origin Energy (down 4.7%) and Rio Tinto (down 1.9%). Harvey Norman (down 8.9%) and Amalgamated Holdings (down 5.8%) both also eased after strong performances.

### Market Outlook

December highlighted the ongoing volatility in markets. However, investors should take comfort from the fact that the recent reporting season showed that company earnings are growing and valuations are reasonable. The fall in energy prices, if sustained should also provide further economic stimulus. Longer-term, as economic growth resumes and broadens, led in particular by a recovering US economy, company profits will continue to grow and dividends paid to shareholders will increase, providing a growing stream of reliable, tax-effective income to investors.

### Top 10 Holdings

Stock name	Trust weight %	Index weight %
Telstra Corporation.	9.5	5.3
National Aust. Bank	8.9	5.9
Westpac Banking Corp	8.8	7.5
ANZ Banking Grp Ltd	8.8	6.4
BHP Billiton Limited	7.9	6.9
Commonwealth Bank	5.8	10.1
Woodside Petroleum	5.6	2.0
Macquarie Group Ltd	4.9	1.4
AMP Limited	3.9	1.2
Suncorp Group Ltd	3.9	1.3

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.8	5.1
Materials	14.7	15.0
Industrials	1.0	7.4
Consumer Discretionary	7.0	4.1
Consumer Staples	2.0	7.4
Health Care	0.0	5.9
Financials-x-Real Estate	48.9	38.6
Real Estate	6.9	7.7
Information Technology	0.0	1.0
Telecommunication Services	9.5	5.8
Utilities	0.0	1.9
Other	3.3	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://www.perennial.net.au).

Signatory of:



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